

# ARIZONA'S WORKFORCE

A press release from the Arizona Dept. Of Economic Security, Research Administration



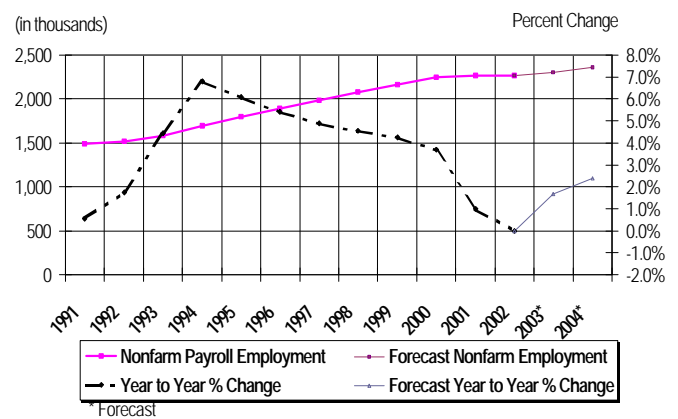
August 28, 2003

## Arizona's Economy Forecast to Add More Than 82,000 Jobs--Slow Growth in 2003 With Increased Momentum into 2004

Arizona's economy continues to add jobs in 2003. In fact, throughout most of 2003, Arizona was ranked in the top 10 fastest job growing states in the nation. However, in the most recent report for July, Arizona slipped to 13<sup>th</sup>. Notably, some states are gradually improving, while many others are struggling with job losses. Global Insight, a private economics consulting firm, forecasts job losses, on average, for the nation in 2003 and a recovery with modest job growth in 2004.

Arizona's Department of Economic Security, Research Administration (RA) expects Arizona's economy will continue growing, though at a slower pace in 2003 than was earlier forecast. This forecast update shows that Arizona's economy will add more than 82,000 jobs during the forecast period of 2003-04. While jobs grew at a slower than expected rate during the second quarter and most of the third quarter, momentum is expected to pick up for the remainder of 2003 and into

Arizona Nonfarm Employment Trends



2004. Most of this stems from improving consumer optimism and business confidence and the expected gradual recovery extending through other geographic regions. Improving economic conditions, for example, are expected in Canada, Mexico, Japan, Europe, and especially Asia over this period.

Arizona's goods-producing industries are expected to grow by 800 jobs over the two-year, 2003-04, forecast period. This group of industries shows a surprising endurance in job creation in the case of construction, while manufacturing shows a loss of industry share in its return to 1993-94 levels.

These two mostly cyclical industries have shown sharply different experiences over the recent couple of years. Construction is an industry serving mostly "home-grown" demand. Population growth in Arizona--among the fastest in the Mountain states region--helps to supply the demand for job growth, while the

### Total Nonfarm Employment

Annual Average Growth Rate\*

	2002**	2003***	2004***
Arizona	0.0%	1.2%	2.4%
Phoenix-Mesa MA	-0.4%	1.3%	2.6%
Tucson MA	-0.4%	0.9%	2.1%
Balance of State	2.2%	1.0%	1.8%

\* Based on Annual Averages  
 \*\* Benchmarked  
 \*\*\* Forecast  
 MA = Metro Area

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continued low interest rates add to the affordability and attraction of housing and other related products. Manufacturing, on the other hand, is an industry largely serving demand external to our state. With demand levels sharply curtailed in the recent couple of years from other regions, manufacturing firms have struggled to adjust by shedding plant, equipment, and jobs—a process generally referred to as consolidation. Increasingly, however, manufacturing and mining firms have also opted to close, relocate or prioritize their expansion efforts abroad.

During the forecast period, construction is forecast to add more than 11,000 jobs. Continued strong demand for housing has developers building new homes, homeowners expanding and remodeling, and cities and counties grappling with a great deal of infrastructure development such as the improvements of roads and highways. Additionally, continued attraction to rural regions from retirees and locals is forecast to incite economic planning and development groups to work hard in an effort to stay ahead of demand pressures.

Meanwhile, projected gains for construction are largely offset by the anticipated losses of nearly 10,000 jobs in manufacturing and a decrease of roughly 700 jobs in mining. Computer and electronic manufacturing firms experienced the largest blow in the most recent downturn, and these related sectors are projected to show a prolonged struggle toward recovery.

Service-providing industries are forecast to add more than 81,000 jobs during 2003-04. This group of varied and diverse providers has been growing faster than the goods-producing industries, due to large sectors of the economy catering Arizona's fast growing population and industries serving tourists.

Health and education sectors are projected to show growth of more than 26,000 jobs. An-

### Arizona Industry Employment

Annual Average Growth Rate

	2002	2003	2004
Manufacturing	-8.8%	-3.9%	-1.6%
Natural Resources/Mining	-6.3%	-4.6%	-3.8%
Construction	-0.7%	2.9%	3.6%
Trade, Trans, Warehouse & Utilities	0.4%	1.3%	2.0%
Information	-4.5%	-5.6%	-0.3%
Financial Activities	0.3%	-0.1%	1.1%
Profess&Business Svcs	-1.5%	1.7%	4.2%
Education & Health Svcs	6.1%	5.8%	5.2%
Leisure & Hospitality	-0.2%	1.0%	2.3%
Other Services	1.5%	2.3%	3.3%
Government	2.8%	1.0%	1.7%

nual growth rates are expected to average roughly 5.5 percent during 2003-04. Notably, increases in health services jobs are forecast to outpace most all others during the next few years.

Professional and business services sectors are forecast to show increasing demand for labor over the next two years, growing by 1.7 percent in 2003 to more than 4 percent in 2004. This industry is forecast to add 18,600 jobs, accounting for more than 22% of the increase of jobs during the 2003-04 period. Projected to be one of the fastest growing sectors of this super sector, the employment services sector is already leading this group as it serves the growth in many other industries.

The combined trade, transportation, warehousing, and public utilities group is forecast to add almost 15,000 jobs during 2003-04. This represents nearly 18 percent of all jobs added during this two-year period. Trade is projected to be the fastest growing of this group, but losses in wholesale trade are expected to drag down improving retail sectors benefiting from rising and sustained levels of consumer optimism. Wholesale trade is expected to show losses in 2003 and contribute to growth in 2004. Warehousing and trans-

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portation job gains are expected to improve as economic activity stimulates commercial flows.

The Information services sector is forecast to experience a difficult period toward recovery. Publishing and other information services are forecast to pare more than 3,000 jobs during 2003-04. This industry has been one of the hardest hit in the service-providing industries following the post-2000 economic downturn.

Arizona's leisure and hospitality industry is forecast to add 7,600 jobs during 2003-04, averaging roughly 1.5 percent over the two-year period. More than 9 percent of the total increase of jobs will come from this mostly tourism and entertainment group of sectors.

Financial services forecasts show a slight loss of jobs in 2003 with modest gains returning in 2004. Real estate is projected to be the source of continued growth, whereas the securities and commodities related sectors, along with the insurance sectors are forecast to experience some slight consolidations to cut costs and match lower demand.

Other services, a mix of service providing industries not elsewhere categorized, is forecast to add nearly 5,000 jobs. Growth rates of 2.3 percent and 3.3 percent are forecast for

2003 and 2004, respectively.

Providing services to Arizona's growing population, government is forecast to add almost 11,000 jobs during the two-year period. Annual growth rates are expected to be modest and average less than 1.5 percent during the two-year period. Local education is projected to generate most of the jobs in government. Growth in federal government jobs stems from the demand for greater security and other services across the state. Fiscal pressures are expected to restrain job growth in state and local government to levels sharply lower than historical trend.

In conclusion, Arizona's economy continues to add jobs and the 2003-04 forecast calls for continued job growth with increasing momentum, which thus far has been absent from this growth phase. Sustained business confidence and higher levels of consumer optimism are expected to further invigorate Arizona's economy, especially as other economies of other regions show improvement. While manufacturing jobs losses remain a concern, even these are expected to gradually slow. Continued job losses in this industry are anticipated to dampen an otherwise full economic recovery beyond the forecast 2003-04 period.

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**Release Presented by:** **Phoenix** – Don Wehbey, DES Research Administration, Senior Economist

**Contact:** For clarification or additional information, call (602) 542-3871

**Next Press Briefing:** **August Employment Report** - Thursday, September 18, 10:00 a.m.,  
DES Administration Building, Room 110, 1717 W. Jefferson St., Phoenix

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<http://www.de.state.az.us/links/economic/webpage/index.html>  
Please contact our office, if you still want a faxed copy each month.

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